

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1093-01  
Bill No.: HB 449  
Subject: Education, Elementary and Secondary: Elementary and Secondary Education  
Dept; Teachers  
Type: Original  
Date: March 17, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	(\$145,620 to over \$1,245,627)	(\$113,053 to over \$1,213,053)	(\$114,898 to over \$1,215,898)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$145,620 to over \$1,245,627)</b>	<b>(113,053 to over \$1,213,053)</b>	<b>(\$114,898 to over \$1,215,898)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **State Tax Commission, Office of Administration - Commissioner's Office**, and the **Department of Public Safety - Missouri State Highway Patrol** state that this proposal would have no fiscal impact on their agency.

Officials from the **Parkway C-2 School District** state there would be no fiscal impact to their district.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Revenue, Commissioner of Education, and the Commissioner of Higher Education could require as many as 27 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,107 for FY 2004. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Nixa R-II School District** responded, but did not indicate a fiscal impact to their district.

Officials from the **Saint Louis Public Schools** assumed there could be additional costs to their district to administer the tutoring program.

Officials from the **Kansas City, Missouri School District (KCMSD)** stated that their district currently has tutors receiving pay for services, as well as those tutoring on a voluntary basis. KCMSD assumes this proposal would have a fiscal impact on a statewide basis resulting in a reduction in total state revenue which could impact school districts. KCMSD further assumes that if DESE has the authority to increase the hourly pay of tutors, it would be a negative fiscal impact to KCMSD unless DESE intended to fund the increase.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume the proposal should not result in additional costs or savings to BAP. The fiscal impact on general revenue and total state revenue is unknown.

According to the **Department of Revenue - Division of Taxation (DOR)**, the administrative impact to their division will depend on the intent of the proposal, since one section refers to a tax deduction and another section refers to a tax credit.

If the intent of this proposal is to allow a subtraction or deduction, Personal Tax would need 5 Tax Season Temporaries to key the additional information, one Tax Processing Technician for every 30,000 errors, and one Tax Processing Tech for every 3,000 additional pieces of correspondence. MINITS and Speedup would need to be modified to track the amount of deduction to all for usage reports to be generated. Adding a line to the MO- A would involve 4 programmers for 2 months (692 hours of programming at a cost of \$23,085).

However, if the intent of this legislation is to allow a tax CREDIT, the MO-TC form, MINITS and Speedup will need to be modified to allow for the credit. Personal Tax will need One Tax Processing Tech I for every 15,000 credits claimed. Information Technology will need 4 programmers for 2 months (692 hours of programming at a cost of \$23,085) to handle the

changes.

ASSUMPTION (continued)

Until the intent of the legislation is clarified, the administrative impact to DOR is unknown.

**Oversight** assumes that the proposal, as written, could refer to both a tax deduction and a tax credit.

Officials from the **Department of Higher Education** assume this proposal would have a cost to DHE for recruiting “suitable” tutors as defined and required by the proposal. DHE assumes they would require .5 FTE to fulfill the duties described by this proposal.

Officials from the **Department of Elementary and Secondary Education (DESE)** indicated they would require one supervisor and one administrative assistant to evaluate the amount of time a tutor has spent tutoring within the school district, send certificates to each tutor indicating the value of time spent, review applications, distribute available tax credits on a pro-rata basis dependent on the average daily attendance within that school district, and obtain suitable tutors.

**Oversight** has, for fiscal note purposes only, adjusted the salary and benefits of the supervisor and the administrative assistant to correspond with the range for starting salaries paid by DESE in 20002 for comparable positions and has excluded travel costs of \$4,500 annually, assuming the program could be administered with minimal travel.

**Oversight** assumes the proposal makes provisions for both a tax deduction for value of time spent tutoring in public schools and tax credits. **Oversight** assumes the cap on tax credits which may be claimed in any one fiscal year shall not exceed one million dollars.

**Oversight** assumes that if revenues are less than projected by the office of administration, the Committee for Tutoring in Public Schools” will recommend that the program be discontinued for that fiscal year; therefore, costs would not be applicable in that fiscal year.

**Oversight** assumes a potential cost to the school districts for tutoring since DESE will have the authority pursuant to this proposal to increase the hourly rate paid to tutors in certain districts.

**This proposal would decrease total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Dept of Elementary and Secondary Education (DESE)			
Personal Expense (2 FTE)	(\$48,308)	(\$59,419)	(\$60,905)
Fringe Benefits	(\$19,550)	(\$24,047)	(\$24,648)
Equipment and Expense	<u>(\$10,602)</u>	<u>(\$3,760)</u>	<u>(\$3,872)</u>
Total <u>Cost</u> - DESE	(\$78,460)	(\$87,226)	(\$89,425)
<u>Cost</u> - Department of Higher Education (DHE)			
Personal Expense (.5 FTE)	(\$14,948)	(\$18,386)	(\$18,846)
Fringe Benefits	<u>(\$6,049)</u>	<u>(\$7,441)</u>	<u>(\$7,627)</u>
Total <u>Cost</u> - DHE	(\$20,997)	(\$25,827)	(\$26,473)
<u>Cost</u> - Department of Revenue - Taxation (DOR)			
Programming costs	(\$46,170)	\$0	\$0
Personal Expense, Benefits, Equip.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>Unknown</u>
Total <u>Cost</u> - DOR	(\$46,170 to Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Decreased Income Tax Revenue - Tax Deduction	\$0 to (Unknown - Expected to Exceed \$100,000)	\$0 to (Unknown - Expected to Exceed \$100,000)	\$0 to (Unknown - Expected to Exceed \$100,000)
<u>Loss</u> - Decreased Income Tax Revenue - Tax Credits	\$0 to (Unknown - Up to \$1,000,000)	\$0 to (Unknown - Up to \$1,000,000)	\$0 to (Unknown - Up to \$1,000,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$145,620 to over \$1,245,627)</u></b>	<b><u>(\$113,053 to over \$1,213,053)</u></b>	<b><u>(\$115,898 to over \$1,213,898)</u></b>

FISCAL IMPACT - Local Government

FY 2004  
(10 Mo.)

FY 2005

FY 2006

**SCHOOL DISTRICTS**

Cost - Increase in Tutoring Costs

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

**ESTIMATED NET EFFECT ON  
SCHOOL DISTRICTS**

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

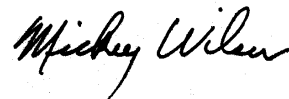
This proposal creates a tax credit for the value of time spent tutoring in public schools, beginning with the 2004 tax year. The proposal establishes a joint program of the departments of Higher Education and Elementary and Secondary Education that will coordinate efforts to obtain tutors. Tutors must pass a background check and be either certificated teachers, holders of a four-year degree from an accredited institution with one year of work experience, or students who are within three semesters of graduating with an education degree. Tutors will work a minimum of 60 and a maximum of 180 hours in a school year and qualify for the deduction at the rate teacher assistants are paid in the participating school district. The Commissioner of Education must establish a procedure to evaluate the time spent and provide certificates to tutors that must be attached to the tutor's income tax return. The bill also establishes a committee for tutoring in public schools that will issue a written recommendation to discontinue the program for that fiscal year in years when revenues are less than projected.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

LMD:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Missouri State Tax Commission  
Department of Higher Education  
Department of Public Safety  
Missouri State Highway Patrol  
Office of Secretary of State  
Administrative Rules  
Parkway C-2 School District  
Office of Administration  
Division of Budget and Planning  
Office of the Commissioner  
Kansas City, Missouri School District  
Department of Revenue  
Division of Taxation  
Nixa R-II School District



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